

WILLIAM A. M
CHAIRMAN
JIM IRV
COMMISSIONER
MARC SPITZER
COMMISSIONER



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OPEN MEETING ITEM
RECEIVED
BRIAN C. McNEIL
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

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ARIZONA CORPORATION COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission

DOCKETED

MAR 13 2001

DATE: MARCH 13, 2001

DOCKET NO.: RG-00000A-00-0548

TO ALL PARTIES:

DOCKETED BY	
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Enclosed please find the recommendation of Administrative Law Judge Stephen Gibelli. The recommendation has been filed in the form of an Opinion and Order on:

PROPOSED RULEMAKING
(RULEMAKING)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

MARCH 22, 2001

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

MARCH 27, 2001 AND MARCH 28, 2001

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250.

BRIAN C. McNEIL
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL
CHAIRMAN

3 JIM IRVIN
COMMISSIONER

4 MARC SPITZER
COMMISSIONER

5
6 IN THE MATTER OF THE NOTICE OF
7 PROPOSED RULE MAKING REGARDING THE
8 TRANSPORTATION OF NATURAL GAS, OTHER
9 GASES AND HAZARDOUS LIQUIDS BY
10 PIPELINES

DOCKET NO. RG-00000A-00-0548

DECISION NO. _____

OPINION AND ORDER

11 DATE OF HEARING:

November 2, 2000
December 8, 2000

12 PLACE OF HEARING:

Phoenix, Arizona

13 PRESIDING OFFICER:

Stephen Gibelli

14 APPEARANCES:

Mr. Robert Metli, Staff Attorney, on behalf of
the Legal Division of the Arizona Corporation
Commission.

15 **BY THE COMMISSION:**

16 On August 8, 2000, the Utilities Division ("Staff") of the Arizona Corporation Commission
17 ("Commission") forwarded a proposal to the Commission recommending that the Commission
18 amend its Pipeline Safety Rules ("Rules") to conform them to the most recent amendments to the
19 Federal Pipeline Safety Regulations ("Federal Regulations").

20 On August 18, 2000, the Notice of Rulemaking Docket Opening and Notice of Proposed
21 Rulemaking, respectively, were published by the Arizona Secretary of State's Office in the Arizona
22 Administrative Register ("Register").

23 On August 24, 2000, the Commission issued Decision No. 62834 in the above-captioned
24 matter. As part of the Decision, the Commission ordered that public comment be scheduled
25 regarding the proposed rule amendments.

26 On August 30, 2000, pursuant to Decision No. 62834, a Procedural Order was issued setting
27 the matter for public comment on November 2, 2000.

28 On October 19, 2000, ASARCO Incorporated ("ASARCO") filed Comments on the proposed
rule amendments.

On October 26, 2000, Arizona Fueling Facilities Corporation ("AFFC") filed its Comments on the proposed rule amendments.

On October 31, 2000, Staff filed its Comments on the proposed rulemaking and amended its proposed rules.

On November 2, 2000, Southwest Gas Corporation ("SWG") filed comments.

On November 3, 2000, Staff published notice of its amended rules in the Register.

On November 2, 2000 and on December 8, 2000, public comment hearings were held before a duly authorized Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. Following the conclusion of the proceeding, the matter was taken under advisement pending submission of a recommended Opinion and Order to the Commission.

* * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. On August 8, 2000, Staff proposed amendments to A.A.C. R14-5-201, A.A.C. R14-5-202, A.A.C. R14-5-203, A.A.C. R14-5-204, and A.A.C. R14-5-205 in order to accomplish the following changes:

- Update the Rules by incorporating by reference the most recent amendments to the Code of Federal Regulations (CFR), Title 49, Parts 191, 192, 193, 195, 199, and Part 40 (minimum safety standards for construction and maintenance of natural gas, other gases, and hazardous liquid pipeline facilities, and pipeline operator's alcohol and drug enforcement programs);
- To incorporate the 1999 revision of NACE Standard MR0175, to replace the 1980 revision. R14-5-202 (E)(1);
- To incorporate the 1995 Edition of API RP55, to replace the 1981 Edition. R14-5-202(E)(2);
- To permit the pipeline operator and the property owner a means of resolving building encroachments over a pipeline. R14-5-202(F);
- To establish a time frame for removal of meter set assemblies that have been out of service for a period of 36 months. R14-5-202(H);
- To permit the pipeline operator and the property owner a means of resolving encroachments within the required three (3) foot clearance between an electrical source, opening into a building or an intake into a building and a gas regulator that might release gas in its operations. R14-5-202(I); and

- Establish a format for filing required written reports of an incident at LNG facilities. R14-5-203(C)(2)(C).

2. The purpose of the proposed amendments is to conform the above-referenced Commission Rules to the most recent amendments to the Federal Pipeline Safety Regulations. This is necessary pursuant to the terms of the Commission's agreement with the United States Department of Transportation's Office of Pipeline Safety and is required for the Commission's Pipeline Safety Group to receive federal funds for pipeline safety programs.

3. Staff believes that the proposed amendments will be beneficial to the general public by maintaining the safe operation of pipeline facilities.

4. On August 24, 2000, the Commission issued Decision No. 62834 which directed that public comment be scheduled regarding the proposed amendments. By Procedural Order, public comment was held on November 2, 2000 and December 8, 2000.

5. Pursuant to law, Notice of Proposed Rulemaking was published with the Secretary of State on August 18, 2000 and on November 3, 2000 in the Register.

6. On October 19, 2000, ASARCO filed Comments on the proposed rule amendments.

7. On October 26, 2000, AFFC filed its Comments on the proposed rule amendments.

8. Both ASARCO and AFFC opposed the deletion of "that are used by public service corporations" from A.A.C. R14-5-201(5) and (9). Both ASARCO and AFFC believed that the deletion of such language would inadvertently expand the power of the Commission.

9. On October 31, 2000, Staff filed its Comments on the proposed rulemaking indicating that an omission occurred in the rules filed with the Secretary of State and that it re-filed notice of the rules with the Secretary of State. Such notice was published in the Register on November 3, 2000. In its Comments, Staff also indicated that it was not Staff's intention to "use this rulemaking docket as a device to expand the jurisdiction of the Arizona Corporation Commission ('Commission')." Staff indicated that it wanted to include the language "by public service corporations" in its definitions of "Intrastate Pipeline" and "Pipeline System."

10. On November 2, 2000, SWG filed comments. SWG's comments supported Staff's proposed rule changes but suggested adding the words "due to a leak test" at the end of R14-5-203(B)(1)(E).

11. On November 2, 2000, a Public Comment hearing was held. Staff agreed to reinstate all references to "public service corporations" in R14-5-201 through R14-5-205. Staff also indicated that it had no objection to SWG's proposal.

12. Pursuant to A.R.S. §41-1024, a Preamble to the proposed Rules is set forth in Appendix A, attached hereto and incorporated by reference.

13. The proposed Rules R14-5-201, R14-5-202, R14-5-203, R14-5-204, and R14-5-205 are set forth in Appendix B, attached hereto and incorporated herein by reference.

14. The Concise Explanatory Statement is set forth in Appendix C, attached hereto and incorporated by reference.

15. The Statement of Effect on Small Business and the Economic Impact Statement are set forth in Appendix D, attached hereto and incorporated herein by reference.

CONCLUSIONS OF LAW

1. Pursuant Article XV, §§ 2 and 3 of the Arizona Constitution and A.R.S. §§ 40-202, 40-203, 40-321, and 40-441, et seq., the Commission has jurisdiction to adopt the proposed amendments to A.A.C. R14-5-201, A.A.C. R14-5-202, A.A.C. R14-5-203, A.A.C. R14-5-204, and A.A.C. R14-5-205.

2. Notice of the hearing was given in the manner prescribed by law.

3. Adoption of the proposed amendments is in the public interest.

4. The Concise Explanatory Statement, set forth in Appendix C, should be adopted.

5. The Statement of Effect on Small Business and the Economic Impact Statement, set forth in Appendix D, should be adopted.

ORDER

IT IS THEREFORE ORDERED that the Proposed Amendments to A.A.C. R14-5-201, A.A.C. R14-5-202, A.A.C. R14-5-203, A.A.C. R14-5-204, and A.A.C. R14-5-205, as set forth in Appendix B are hereby adopted.

IT IS FURTHER ORDERED that the Preamble, as set forth in Appendix A, is hereby adopted.

IT IS FURTHER ORDERED that the Concise Explanatory Statement, as set forth in

1 Appendix C, is hereby adopted.

2 IT IS FURTHER ORDERED that the Statement of Effect on Small Business and the
3 Economic Impact Statement, as set forth in Appendix D, are hereby adopted.

4 IT IS FURTHER ORDERED that the Commission's Utilities Division shall submit the
5 Amended Rules A.A.C. R14-5-201, A.A.C. R14-5-202, A.A.C. R14-5-203, A.A.C. R14-5-204, and
6 A.A.C. R14-5-205 to the Attorney General's Office for certification.

7 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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CHAIRMAN	COMMISSIONER	COMMISSIONER
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IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
Secretary of the Arizona Corporation Commission, have
hereunto set my hand and caused the official seal of the
Commission to be affixed at the Capitol, in the City of Phoenix,
this ____ day of _____, 2001.

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BRIAN C. McNEIL
EXECUTIVE SECRETARY

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DISSENT _____
SG:dap

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SERVICE LIST FOR:

RULEMAKING OF NATURAL GAS

DOCKET NO.

RG-00000A-00-0548

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ATTACHMENT A

NOTICE OF FINAL RULEMAKING

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND
ASSOCIATIONS; SECURITIES REGULATION

CHAPTER 5. CORPORATION COMMISSION - TRANSPORTATION

PREAMBLE

1. Sections Affected Rulemaking Action
Article 2. PIPELINE SAFETY.
R14-5-201 Amend
R14-5-202 Amend
R14-5-203 Amend
R14-5-204 Amend
R14-5-205 Amend
2. The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):
Authorizing statute: A.R.S. §§ 40-202, 40-203, 40-321, 40-441 and 40-442 et seq.
Constitutional authority: Arizona Constitution, Article XV
Implementing statute: Not applicable
3. The effective date of the rules.
These rules are effective upon decision approving an Order by the Commission.
4. A list of all previous notices appearing in the Register addressing the proposed rule:

Notice of Public Information

6 A.A.R. 4209, November 3, 2000

Notice of Proposed Rulemaking

6 A.A.R. 3635, September 22, 2000

Notice of Rulemaking Docket Opening

6 A.A.R. 3117, August 18, 2000

Vol. # page # Issue date

5. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:

Name: Robert J. Metli, Commission Counsel, Legal Division

Address: Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Telephone Number: (602) 542-3402

Fax Number: (602) 542-4870

6. An explanation of the rule, including the agency's reasons for initiating the rule:

1. Staff is proposing amendments to transportation rules R14-5-201, R14-5-202, R14-5-203, R14-5-204 and R14-5-205. The amendments will update the rules to incorporate the most recent amendments to the Code of Federal Regulations (CFR), Title 49, Parts 191, 192, 193, 195, 199 and Part 40.
2. The amended rules will permit pipeline operators and property owners a means of resolving building encroachments over pipelines (R14-5-202(F)) and within three foot clearance of air intake (R14-5-202(I)).
3. These proposed revision also includes a timeframe for removal of meter set assemblies and a format for filing required written reports of an incident at LNG facilities.

7. A reference to any study that the agency proposes to rely on in its evaluation of or justification for the proposed rule and where the public may obtain or review the study, all data underlying each study, any analysis of the study and other supporting material:

None

8. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable

9. The summary of the economic, small business, and consumer impact:

Small Business Subject to the Rules: These rules do not change the responsibilities of master meter operators already established in 1970 by the adoption by the Commission of the Code of Federal Regulations, Title 49, Parts 191 and 192.

The new rules will have no effect upon consumers or users of the gas service provided by regulated public utilities as they presently are required to be in compliance with all standards, but, this will benefit consumers, users and the general public by maintaining a safe pipeline system.

The proposed rules are the least costly method for obtaining compliance with the long standing minimum safety standards. The rules do not impose additional standards. There is no less intrusive method.

10. A description of the changes between the proposed rules, including supplemental notices, and final rules (if applicable):

R14-5-201(5).

Before:

5. "Intrastate pipeline" means all pipeline facilities referenced in ARS 40.441, included in the definition of "pipeline system" that are used to transport natural gas, Liquefied Natural Gas ("LNG"), other gas or hazardous liquids within Arizona, that are not used to transport gas or hazardous liquids in interstate or foreign commerce. This includes, without limitation, any equipment, facility, building or other property used or intended for use in transporting gas, LNG or hazardous liquids.

After:

5. "Intrastate pipeline" means all pipeline facilities referenced in ARS 40.441, included in the definition of "pipeline system" that are used by public service corporations to transport natural gas, Liquefied Natural Gas ("LNG"), other gas or hazardous liquids within Arizona, that are not used to transport gas or hazardous liquids in interstate or foreign commerce. This includes, without limitation, any equipment, facility, building or other property used or intended for use in transporting gas, LNG or hazardous liquids.

R14-5-201(9).

Before:

9. "Pipeline system" means all parts of those physical facilities ~~that are used by public service corporations~~ through which natural gas, ~~liquefied natural gas ("LNG")~~, other gases or hazardous liquids move in transportation including, but not limited to, pipes, compressor units, metering stations, regulator stations, delivery stations, holders and fabricated assemblies.

After:

9. "Pipeline system" means all parts of those physical facilities that are used by public service corporations through which natural gas, ~~liquefied natural gas ("LNG")~~, other gases or hazardous liquids move in transportation including, but not limited to, pipes, compressor units, metering stations, regulator stations, delivery stations, holders and fabricated assemblies.

R14-5-203(B)(1)(e)

Before:

- e. Permanent or temporary discontinuance of gas service to a master meter system or when assisting with the isolation of any portion of a gas master meter system.

After:

- e. Permanent or temporary discontinuance of gas service to a master meter system or when assisting with the isolation of any portion of a gas master meter system due to a failure of a leak test.

R14-5-205(A)

Before:

- A. Applicability. This rule applies to the construction, reconstruction, repair, emergency procedures, operation and maintenance of all master meter systems, ~~as a condition of receiving service from public service corporations~~. Noncompliance with this rule by operators of a master meter system shall constitute grounds for termination of service, by the public service corporation when informed in writing by the Office of Pipeline Safety. In case of an emergency, the Office of Pipeline Safety may give the public service corporation oral instructions to terminate service, with written confirmation to be furnished within 24 hours.

After:

- A. Applicability. This rule applies to the construction, reconstruction, repair, emergency procedures, operation and maintenance of all master meter systems, as a condition of receiving service from public service corporations. Noncompliance with this rule by operators of a master meter system shall constitute grounds for termination of service, by the public service corporation when informed in writing by the Office of Pipeline Safety. In case of an emergency, the Office of Pipeline Safety may give the public service corporation oral instructions to terminate service, with written confirmation to be furnished within 24 hours.

11. A summary of the principal comments and the agency response to them:

~~This is all the information I can find.~~

12. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

13. Incorporations by reference and their location in the rules:

Title 49, Code of Federal Regulations (CFR), Parts 40, 191, 192, except I(2) of Appendix D to Part 192, 193, 195 (except 195.1(b)(2) and (3)) and 199. These regulations cover the minimum safety standards for construction and operation of gas and hazardous liquid pipelines. These regulations may be found at the Arizona Corporation Commission, Executive Secretaries Office and Utilities Division, Pipeline Safety Section, 1200 West Washington Street, Phoenix, Arizona 85007. These regulations are incorporated by reference in the amended rules at: R14-5-202 B., C., E.1., E.2., J., K., P., Q., R., R14-5-203 C.2., C.3., C.5., R14-5-204 A.1., A.2., and R14-5-205 B., G., J., K., O., and P..

14. Was this rule previously adopted as an emergency rule?:

If so, please indicate the Register citation:

None

15. The full text of the rules follows:

ATTACHMENT B

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND
ASSOCIATIONS; SECURITIES REGULATION

CHAPTER 5. CORPORATION COMMISSION - TRANSPORTATION

ARTICLE 2. PIPELINE SAFETY

- R14-5-201. Definitions
- R14-5-202. Construction and Safety Standards
- R14-5-203. Pipeline Incident Reports and Investigations
- R14-5-204. Annual Reports
- R14-5-205. Master Meter System Operators

ARTICLE 2. PIPELINE SAFETY

R14-5-201. Definitions

As used in this Article:

1. "Abandon" means disconnecting the pipeline from all sources and supplies of gas, or hazardous liquids, purging the gas or hazardous liquids ~~within~~ from the pipeline being disconnected and capping all ends.
2. "Building" means any structure intended for supporting or sheltering any occupancy.
3. "Business District" means an area where the public congregate for economic, industrial, religious, education, health or recreational purposes and 2 or more buildings used for these purposes are located within 100 yards of each other.
4. "Commission" means the Arizona Corporation Commission.
5. "Intrastate pipeline" means all pipeline facilities ~~referenced in ARS 10-111~~, included in the definition of "pipeline system" that are used by public service corporations to transport natural gas, Liquefied Natural Gas ("LNG"), other gas or hazardous liquids within Arizona, that are not used to transport gas or hazardous liquids in interstate or foreign commerce. This includes, without limitation, any equipment, facility, building or other property used or intended for use in transporting gas, LNG or hazardous liquids.
6. "Master meter system" means physical facilities for distributing gas within a definable area where the operator purchases metered gas from a public service corporation to provide gas service to 2 or more buildings other than at a single family residence.
7. "Operator" means a person that owns or operates a pipeline system or master meter system.
8. "Person" means any individual, firm, joint venture, partnership, corporation, association, cooperative association, joint stock association, trustee, receiver, assignee, personal representative, the state or any political subdivision thereof.
9. "Pipeline system" means all parts of those physical facilities that are used by public service corporations through which natural gas, ~~Liquefied natural gas ("LNG")~~, other gases or hazardous liquids move in transportation including, but not limited to, pipes, compressor units, metering stations, regulator stations, delivery stations, holders and fabricated assemblies.
10. "Office of Pipeline Safety" means the Pipeline Safety personnel for the Commission.

11. "Sandy type soil" means sand no larger than "coarse" as defined by ASTM D-2487-83 (1983 Edition), incorporated herein by reference and on file with the Office of the Secretary of State.
12. "State" means the State of Arizona and all lands within its boundaries.
13. "Structure" means that which is built or constructed, an edifice or building of any kind or any piece of work artificially built or composed of parts joined together in some definite manner.
14. "Transport" or "transportation" of gas, LNG or hazardous liquids ~~is~~ means the gathering, transmission, distribution ~~and or~~ storage of gas, LNG or hazardous liquids by pipeline within the State.

R14-5-202. Construction and Safety Standards

- A. Applicability: This rule applies to the construction, reconstruction, repair, operation and maintenance of all intrastate natural gas, other gas, LNG and hazardous liquid pipeline systems, ~~as described in ARS 10-111.~~
- B. Subject to the definitional changes in R14-5-201 and the revisions noted in subsection (C), the Commission adopts, incorporates, and approves as its own 49 CFR 40, 191, 192 except I (2) and (3) of Appendix D to Part 192, 193, 195, except 195.1(b)(2) and (3), and 199, revised as of ~~November 4, 1998~~ March 1, 2000 (and no future amendments), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15230-7975.
- C. The above mentioned incorporated Parts of 49 CFR, except Parts 191, 193 Subpart A and 195 Subpart A and B, are revised as follows:
 1. Substitute "Commission" where "~~Office of Pipeline Safety, Administrator of the~~ Research and Special Programs Administration" or "Office of Pipeline Safety" (OPS) appear.
 2. Substitute "Office of Pipeline Safety, Arizona Corporation Commission, at its office in Phoenix, Arizona" where addresses for the Information ~~Systems~~ Resources Manager, Office of Pipeline Safety, Research and Special Programs Administration, Materials Transportation Bureau, U. S. Department of Transportation ~~or Office of Chief Counsel~~ appear.

D. Operators of an intrastate pipeline will file with the Commission an Operation and Maintenance Plan (O & M), including an emergency plan, 30 days prior to placing a pipeline system into operation. Any changes in existing plans will be filed within 30 days of the effective date of the change.

E. Operators of an intrastate pipeline transporting sour gas or oil are subject to industry standards addressing facilities handling hydrogen sulfide (H_2S). Standards adopted are:

1. NACE ~~sStandard MR-01-75 MR-0175-99 (1980 1999 Revision); (and no future revisions).~~ Standard Materials equipment Requirements Sulfide Stress Cracking Resistant Metallic Material for Oilfield Equipment, incorporated by reference and no future amendments available from NACE International, P.O. Box 218340, Houston, Texas 77218-8340 and on file with the Office of the Secretary of State.
2. API RP55 (1984 1995 Edition); (and no future amendments), API recommended practice for conducting oil and gas production operations involving hydrogen sulfide, incorporated by reference and no future amendments, copies are available from CSSINFO, 310 Miller Avenue, Ann Arbor, Michigan, 48103 and on file with the Office of the Secretary of State.

F. Operators of an intrastate pipeline transporting LNG, hazardous liquid, natural gas or other gas will not construct any part of a hazardous liquid, LNG, natural gas or other gas pipeline system under a building. For building encroachments over a pipeline system, the operator ~~will discontinue service~~ may require the property owner to remove the building from over the pipeline or reimburse the operator the cost associated with relocating the pipeline system. The encroachment shall be resolved within 180 days of discovery, or the operator shall discontinue service to the pipeline system. When the encroachment can not be resolved within the 180 days the operator will ~~shall~~ submit to the Office of Pipeline Safety within 90 days of discovery a written plan to resolve the encroachment. The Office of Pipeline Safety may then extend the 180 day requirement in order to allow the ratepayer and the operator to implement the written plan to resolve the encroachment.

G. Operators of an intrastate pipeline transporting LNG, hazardous liquid, natural gas or other gas ~~pipeline system~~ will not construct any part of a pipeline system closer than 8 inches to any other underground

structure. If the 8 inch clearance cannot be maintained from other underground structures, a sieve, casing, or shielding shall be used.

- H. Operators of an intrastate pipeline transporting natural gas or other gas ~~pipeline system~~, that have regulators, meters, or regulation meter sets that have been out of service for 36 months will abandon those lines and cap all ends. This abandonment shall not exceed 6 months beyond the 36 months out service status.
- I. Operators of an intrastate pipeline shall not install or operate a gas regulator that might release gas in its operation closer than 3 feet to a source of ignition, opening into a building, air intake into a building or to any electrical source not intrinsically safe. The three (3) foot clearance from a source of ignition will be measured from the vent or source of release (discharge port), not from the physical location of the meter set assembly. This subsection shall not be effective with respect to building permits which are issued and subdivisions which are platted prior to October 1, 2000. For encroachment within the required three foot clearance caused by an action of the property owner, occupant or a service provider, after the effective date of this rule the operator may require the property owner to resolve the encroachment or reimburse the operator the cost associated with relocating the pipeline system. The encroachment shall be resolved within 180 days of discovery or the operator shall discontinue service to the effected pipeline system. When the encroachment cannot be resolved within the 180 days the operator shall submit to the Office of Pipeline Safety within 90 days of discovery a written plan to resolve the encroachment. The Office of Pipeline Safety may then extend the 180 day requirement in order to allow the ratepayer and the operator to implement the written plan to resolve the encroachment.
- J. Operators of an intrastate pipeline ~~system~~ transporting LNG, natural gas, other gases or hazardous liquid will utilize a cathodic protection system designed to protect the metallic pipeline in its entirety, in accordance with 49 CFR 192, Subpart I, ~~November 1, 1998~~ March 1, 2000 (and no future amendments), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975 except (1) and (3) of Appendix D to Part 192 shall not be utilized.
- K. Operators of an intrastate pipeline transporting natural gas or other gas ~~pipeline system~~ will not use solvent cement to join together plastic pipe manufactured from different materials unless the operator utilizes a

joining procedure in accordance with the specifications of 49 CFR 192, Subpart F, ~~November 1, 1993~~ July 13, 1998 (and no future amendments), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975.

- L. Operators of an intrastate pipeline transporting hazardous liquid, natural gas or other gas ~~pipeline system~~ will not install Acrylonitrile-Butadiene-Styrene (ABS) or aluminum pipe in their pipeline systems.
- M. Operators of an intrastate pipeline transporting hazardous liquid, natural gas or other gas ~~pipeline systems~~ will not install plastic pipe aboveground unless the plastic pipeline is protected by a metal casing, or equivalent, and approved by the Office of Pipeline Safety. Temporary aboveground plastic pipeline bypasses are permitted for up to sixty (60) days, provided that the plastic pipeline is protected and is under the direct supervision of the operator at all times.
- N. Operators of an intrastate pipeline transporting hazardous liquid, natural gas or other gas ~~pipeline system~~ that construct a pipeline system or any portion thereof using plastic pipe, will install, at a minimum, a 14-gauge coated or corrosion resistant, electrically conductive wire as a means of locating the pipe while it is underground. Tracer wire shall not be wrapped around the plastic pipe, tracer wire may be taped, or attached in some manner to the pipe provided that the adhesive or the attachment is not detrimental to the integrity of the pipe wall.
- O. Operators of an intrastate pipeline transporting natural gas or other gas pipeline system that construct an underground pipeline system using plastic pipe, will bury the installed pipe with a minimum of 6 inches of sandy type soil surrounding the pipe for bedding and shading, free of any rock or debris, unless otherwise protected and approved by the Office of Pipeline Safety.
- P. Operators of an intrastate pipeline transporting natural gas or other gas pipeline system that construct an underground pipeline system using plastic pipe will install the pipe with sufficient slack to allow for thermal expansion and contraction. In addition, all plastic pipe shall be marked CD or CE as required by ASTM D2513-95c (1995c Edition and no future editions), incorporated by reference, on file with the Office of the Secretary of State, and copies available from ASTM, 1916 Race Street, Philadelphia, Pennsylvania 19103-1187, for areas where the service temperature is above 100°F.

- Q. Operators of an intrastate pipeline system transporting hazardous liquid, natural gas or other gases shall qualify welding procedures and shall perform welding of steel pipelines in accordance with API Standard 1104. Each welder must be qualified in accordance with API Standard 1104. The qualification of welders delineated in 49 CFR 192, appendix C may be used for low stress level pipe.
- R. Operators of an intrastate pipeline transporting natural gas or other gas pipeline system shall survey and grade all detected leakage by the following guide: ASME Guide for Gas Transmission and Distribution Pipeline System, Guide Material, Appendix G-11-1983 except 4.4(c) (1983 Revision and no future revisions), incorporated by reference and on file with the Office of the Secretary of State and copies available from ASME, United Engineering Center, 345 East 47th Street, New York, N. Y. 10017. ("Should" as referenced in the Guide will be interpreted to mean "shall"). Leakage survey records shall identify in some manner each pipeline surveyed. Records shall be maintained to demonstrate that the required leakage survey has been conducted.
- S. All repair work performed on an existing intrastate pipeline transporting LNG, hazardous liquids, natural gas or other gas pipeline system will comply with the provisions of this Article.
- T. The Commission may waive compliance with any of the aforementioned parts upon a finding that such a waiver is in the interest of public and pipeline safety.
- U. To ensure compliance with provisions of this rule the Commission or an authorized representative thereof may enter the premises of an operator of an intrastate pipeline to inspect and investigate the property, books, papers, business methods, and affairs that pertain to the pipeline system operation.
- V. All other Commission administrative rules are superseded to the extent they are in conflict with the pipeline safety provisions of this Article.

R14-5-203. Pipeline Incident Reports and Investigations

- A. Applicability. This rule applies to all intrastate pipeline systems.
- B. Required incident reports by telephone:
1. Operators of an intrastate pipeline transporting LNG, natural gas or other gas pipeline system will notify by telephone the Office of Pipeline Safety upon discovery of the occurrence of any of the following:

- a. The release of natural gas, other gas or liquefied natural gas (LNG) from a pipeline or LNG facility, when any of the following results:
 - i. Death or personal injury requiring hospitalization.
 - ii. An explosion or fire not intentionally set by the operator.
 - iii. Property damage, including the value of the gas lost, estimated in excess of \$5,000.
 - b. Emergency transmission pipeline shutdown.
 - c. News media inquiry.
 - d. Overpressure of a pipeline system where a pipeline operating at less than 12 PSIG exceeds MAOP by 50%, where a pipeline operating between 12 PSIG and 60 PSIG exceeds MAOP by 6 PSIG or where a pipeline operating over 60 PSIG exceeds MAOP plus 10%.
 - e. Permanent or temporary discontinuance of gas service to a master meter system or when assisting with the isolation of any portion of a gas master meter system due to a failure of a leak test.
 - f. Emergency shutdown of a LNG process or storage facility.
2. Operators of an intrastate pipeline transporting hazardous liquid will notify by telephone the Office of Pipeline Safety upon discovery of the occurrence of any of the following:
 - a. Death or personal injury requiring hospitalization.
 - b. An explosion or fire not intentionally set by the operator.
 - c. Property damage estimated in excess of \$5,000.
 - d. Pollution of any land, stream, river, lake, reservoir, or other body of water that violates applicable environmental quality, water quality standards, causes a discoloration of the surface of the water or adjoining shoreline, or deposits sludge or emulsion beneath the surface of the water or upon adjoining shorelines.
 - e. News media inquiry.
 3. Telephone incident reports will include the following information:
 - a. Name of the pipeline system operator,

- b. Name of the reporting party,
- c. Job title of the reporting party,
- d. The reporting party's telephone number,
- e. Location of the incident,
- f. Time of the incident, and
- g. Fatalities and injuries, if any.

C. Require written incident report:

1. Operators of an intrastate pipeline transporting natural gas, LNG or other gases will file a written incident report when an incident occurs involving a natural gas or other gas pipeline that results in any of the following:
 - a. An explosion or fire not intentionally set by the operator.
 - b. Injury to a person that results in 1 or more of the following:
 - i. Death.
 - ii. Loss of consciousness.
 - iii. Need for medical treatment requiring hospitalization.
 - c. Property damage, including the value of the lost gas, estimated in excess of \$5,000.
 - d. Emergency transmission pipeline shutdown.
 - e. Overpressure of a pipeline system where a pipeline operating at less than 12 PSIG exceeds MAOP by 50%, where a pipeline operating between 12 PSIG and 60 PSIG exceeds MAOP by 6 PSIG or where a pipeline operating over 60 PSIG exceeds MAOP plus 10%.
 - f. Emergency shutdown of a LNG process or storage facility.
2. Written incident reports concerning natural gas or other gas pipeline systems will be in the following form:
 - a. RSPA F7100.1 - Distribution System: Incident Report, incorporated by reference and on file with the Office of the Secretary of State.
 - b. RSPA F7100.2 - Transmission and Gathering System: Incident Report, incorporated by reference and on file with the Office of the Secretary of State.

- c. Written incident reports with respect to LNG facilities will be in an investigative form defining the incident and corrective action taken to prevent a reoccurrence.
- 3. Operators of an intrastate pipeline transporting hazardous liquid will make a written incident report on DOT Form 7000-1, incorporated by reference and on file with the Office of the Secretary of State, when there is a release of hazardous liquid which results in any of the following:
 - a. An explosion or fire not intentionally set by the operator.
 - b. Injury to a person that results in 1 or more of the following:
 - i. Death.
 - ii. Loss of consciousness.
 - iii. Inability to leave the scene of the incident unassisted.
 - iv. Need for medical treatment.
 - v. Disability which interferes with a person's normal daily activities beyond the date of the incident.
 - c. The loss of 50 or more barrels of hazardous liquid or carbon dioxide.
 - d. The escape of more than 5 barrels a day of highly volatile liquids into the atmosphere.
 - e. Property damage estimated in excess of \$5,000.
 - f. News media inquiry.
- 4. Written incident reports as required in this Section will be filed with the Office of Pipeline Safety, within the time specified below:
 - a. Natural gas, LNG or other gas - within 20 days after detection.
 - b. Hazardous liquids - within 15 days after detection.
- 5. The Operators shall also file a copy of all DOT required written incident reports with the Information Resources Manager, Office of Pipeline Safety, Research and Special Programs Administration, U.S. Department of Transportation, Washington, DC 20590.
- 6. Operators of a natural gas or other gas pipeline system will request a clearance from the Office of Pipeline Safety prior to turning on or reinstating service to a master meter operator.

D. Investigations by the Commission:

1. The Office of Pipeline Safety will investigate the cause of incidents resulting in death or serious injury.
2. Pursuant to an investigation under this rule, the Commission, or an authorized agent thereof, may:
 - a. Inspect all plant and facilities of a pipeline system.
 - b. Inspect all other property, books, papers, business methods, and affairs of a pipeline system.
 - c. Make inquiries and interview persons having knowledge of facts surrounding an incident.
 - d. Attend, as an observer, hearings and formal investigations concerning pipeline system operators.
 - e. Schedule and conduct a public hearing into an incident.
3. The Commission may issue subpoenas to compel the production of records and the taking of testimony.
4. Incidents not reported in accordance with the provisions of this rule will be investigated by the Office of Pipeline Safety.
5. Incidents referred to in incomplete or inaccurate reports will be investigated by the Office of Pipeline Safety.
6. Late filed incident reports will be accompanied by a letter of explanation. Incidents referred to in late filed reports may be investigated by the Office of Pipeline Safety.

R14-5-204. Annual Reports

- A. Except for operators of an intrastate pipeline transporting LNG, ~~or~~ hazardous liquid, all other intrastate pipeline operators will file with the Office of Pipeline Safety, not later than March 15, for the preceding calendar year, the following appropriate report(s):
 1. RSPA F7100.1-1 (November 1985 Edition and no future editions) - "Annual Report for Calendar Year ~~1920~~____, Gas Distribution System" and "Instructions for Completing RSPA Form F7100.1-1, Annual Report for Calendar Year ~~1920~~____, Gas Distribution System", incorporated ~~herein~~ by reference, on file with the Office of the Secretary of State, and copies available from the Information Resources Manager, Office of Pipeline Safety, Research and Special Programs

Administration, U.S. Department of Transportation, Room 8417, 400 Seventh Street, S.W.,
Washington, D.C. 20590.

2. RSPA F7100.2-1 (November 1985 Edition and no future editions) - "Annual Report for Calendar Year ~~1920~~____, Gas Transmission and Gathering Systems" and "Instructions for Completing Form RSPA F7100.2-1, Annual Report for Calendar Year ~~1920~~____, Gas Transmission and Gathering Systems", incorporated ~~herein~~ by reference, on file with the Office of the Secretary of State, and copies available from the Information Resources Manager, Office of Pipeline Safety, Research and Special Programs Administration, U.S. Department of Transportation, Room 8417, 400 Seventh Street, S.W., Washington, D.C. 20590.

- B. The operator will also file a copy of all required annual reports by March 15 to the Information Resources Manager, Office of Pipeline Safety, Research and Special Programs Administration, U.S. Department of Transportation, 400 Seventh Street S.W., Washington, D.C. 20590-0001.

R14-5-205. Master Meter System Operators

- A. Applicability. This rule applies to the construction, reconstruction, repair, emergency procedures, operation and maintenance of all master meter systems, as a condition of receiving service from public service corporations. Noncompliance with this rule by operators of a master meter system shall constitute grounds for termination of service, by the public service corporation when informed in writing by the Office of Pipeline Safety. In case of an emergency, the Office of Pipeline Safety may give the public service corporation oral instructions to terminate service, with written confirmation to be furnished within 24 hours.
- B. Subject to the definitional changes in R14-5-201 and the revisions noted in subsection (C), the Commission adopts, incorporates, and approves as its own 49 CFR 191 and 192, revised as of ~~November 1, 1998~~ December 14, 1999 (and no future amendments), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975.
- C. The above mentioned incorporated parts of 49 CFR, except Part 191, are revised as follows:
 1. Substitute "Commission" where "~~Office of Pipeline Safety~~, Administrator of the Research and Special Programs Administration", or "Office of Pipeline Safety" (OPS) appear.

2. Substitute Office of "Pipeline Safety, Arizona Corporation Commission, at its office in Phoenix, Arizona" where addresses for the Information Resources Manager, Office of Pipeline Safety, Research and Special Programs Administration, U.S. Department of Transportation ~~or Office of Chief Counsel appear.~~

- D. Operators of a master meter system will establish an Operation and Maintenance Plan (O & M) including an emergency plan. The plans must be maintained at the master meter system location.
- E. Operators of a master meter system will not construct any part of a natural gas or other gas system under a building or permit a building to be placed over a pipeline. Within 180 days of discovery of a building being located over a pipeline, the operator shall remove the building from over the pipeline, relocate the pipeline or discontinue the service to the pipeline located under the building.
- F. Operators of a master meter system will not install Acrylonitrile-Butadiene-Styrene (ABS) or aluminum pipe in their systems.
- G. Operators of a master meter system will not use solvent cement to join together plastic pipe manufactured from different materials unless the operator utilizes a joining procedure in accordance with the specifications of 49 CFR 192, Subpart F, ~~August 11, 1995~~ July 13, 1998 (and no future amendments), incorporated by reference, on file with the Office of the Secretary of State, and copies available from the United States Government Printing Office, P.O. Box 371975M, Pittsburgh, Pennsylvania 15250-7975.
- H. Operators of a master meter system that construct a pipeline or any portion thereof using plastic pipe will install, at a minimum, a 14-gauge coated or corrosion resistant, electrically conductive wire as a means of locating the pipe while it is underground. Tracer wire shall not be wrapped around the plastic pipe, tracer wire may be taped, or attached in some manner to the pipe provided that the adhesive or the attachment is not detrimental to the integrity of the pipe wall.
- I. Operators of a master meter system that construct an underground pipeline using plastic pipe, will bury the installed pipe with a minimum of 6 inches of sandy type soil surrounding the pipe for bedding and shading, free of any rock or debris, unless otherwise protected and approved by the Office of Pipeline Safety.
- J. Operators of a master meter system that construct an underground pipeline using plastic pipe will install the pipe with sufficient slack to allow for thermal expansion and contraction. In addition, all plastic pipe shall be marked CD as required by ASTM D2513-95c (1995c Edition and no future editions), incorporated by

reference, on file with the Office of the Secretary of State and copies available from ASTM, 1916 Race Street, Philadelphia, Pennsylvania 19103-1187, for areas where the service temperature is above 100°F.

- K. Operators of a master meter gas system shall qualify welding procedures and shall perform welding of steel pipelines in accordance with API Standard 1104. Each welder must be qualified in accordance with API Standard 1104.
- L. All repair work performed on existing master meter systems will comply with the provisions of this Article.
- M. Operators of a master meter system will not construct any part of a natural gas or other gas system closer than 8 inches to any other underground structure.
- N. Operators of a master meter system will file a Notice of Construction 30 days prior to commencement of the construction of any pipeline. The Notice will contain the following information:
 - 1. The dates of construction,
 - 2. The size and type of pipe to be used,
 - 3. The location of construction, and
 - 4. The Maximum Allowable Operating Pressure (MAOP).
- O. Operators of a master meter system will perform leakage surveys at intervals not exceeding 15 months but at least once each calendar year and will survey and grade all detected leakage by the following guide -- ASME Guide for Gas Transmission and Distribution Pipeline System, Guide Material, Appendix G-11-1983 (1983 Revision and no future revisions), except 4-4(c). Incorporated by reference, on file with the Office of the Secretary of State, and copies available from ASME, United Engineering Center, 345 East 47th Street, New York, New York 10017. ("Should" as referenced in the guide will be interpreted to mean "shall".) Leak detection procedures shall be approved by the Office of Pipeline Safety.
- P. Operators of a master meter system will file an annual report with the Commission on Commission Form 1-90/15M (1990 Edition and no future editions). "Annual Report for Calendar Year 1990, Small Operators of Gas Distribution System," incorporated by reference, on file with the Office of the Secretary of State, and copies available from the Arizona Corporation Commission, Office of Pipeline Safety, 1200 West Washington, Phoenix, Arizona 85007. This report will be filed with the Office of Pipeline Safety not later than April 15 for the preceding calendar year.

- Q. The Commission may waive compliance with any of the aforementioned parts upon a finding that such a waiver is in the interest of public safety.
- R. To ensure compliance with provisions of this rule, the Commission or an authorized representative thereof, may enter the premises of an operator of a master meter system to inspect and investigate the property, books, papers, business methods, and affairs that pertain to the operation of the master meter system.
- S. All other Commission administrative rules are superseded to the extent they are in conflict with the pipeline safety provisions of this Article.

ATTACHMENT C

CONCISE EXPLANATORY STATEMENT

This explanatory statement is provided to comply with the provisions of A.R.S. §41-1036.

I. CHANGES IN THE TEXT OF THE PROPOSED RULES FROM THAT CONTAINED IN THE NOTICE OF RULEMAKING FILED WITH THE SECRETARY OF STATE
EVALUATION OF THE ARGUMENTS FOR AND AGAINST THE PROPOSED RULES

After public comment, the following sections have been modified from the text of the revised rules published in the Arizona Administrative Register:

R14-5-201(5)

Delete "referenced in ARS 40.441" after "facilities". Insert "by public service corporations" after "used".

R14-5-201(9)

Insert "public service corporations" after "facilities".

R14-5-202(A)

Delete ". , as described in ARS 40-441" after "systems".

R14-5-203 B.(1)(e)

Insert "due to a failure of a leak test" after "system".

R14-5-205 A.

Insert "as a condition of receiving service from public service corporations" after "system,".

II. EVALUATION OF THE ARGUMENTS FOR AND AGAINST THE PROPOSED RULES

The proposed amended Arizona Corporation Commission Pipeline Safety Rules ("Rules") will update the Rules by incorporating by reference the most recent amendments to the Code of Federal Regulations (CFR), Title 49, Parts 191, 192, 193, 195, 199, and Part 40 (minimum safety standards for construction and maintenance of natural gas, other gases and hazardous liquid pipeline facilities, and pipeline operator's alcohol and drug enforcement programs).

The Arizona Corporation Commission ("Commission") has been granted agent status

1 allowing it to enforce the Federal Pipeline Safety Standards. To maintain that status the Commission
2 must, pursuant to the Natural Gas Pipeline Safety Act and the Hazardous Liquid Pipeline Safety Act,
3 adopt and keep current with the Federal Pipeline Safety Standards.

4 The Commission believes that through the adoption and incorporating by reference of CFR
5 Title 49 updates, the rules will be consistent with the Federal Regulations and will enhance public
6 safety which will be in the best interest of all citizens in the State of Arizona.

7 In its comments filed with the Commission, ASARCO Incorporated ("ASARCO"), Arizona
8 Fueling Facilities Corporation ("AFFC"), and Southwest Gas Corporation ("SWG") all raised
9 concerns about Staff's proposed rules. All three parties also raised their concerns at the Public
10 Comment hearing.

11 ASARCO and AFFC were concerned that the Commission's proposed deletion of "public
12 service corporations" would in essence, expand the jurisdiction of the Commission in violation of the
13 Arizona Constitution.

14 SWG offered additional language to clarify existing verbiage in R14-5-203.

15 **R14-5-201**

16 **Issue:** In its original proposed amendments to the Rules as published in the September 22,
17 2000 Arizona Administrative Register, Staff proposed to add references to liquefied natural
18 gas to the definitions. Staff also proposed the deletion of references to "public service
19 corporations."

20 On October 19 and 26, 2000, ASARCO and AFFC, respectively, filed comments
21 expressing concern that the Commission's proposed deletion of "public service corporations"
22 would in essence, expand the jurisdiction of the Commission in violation of the Arizona
23 Constitution.

24 ASARCO and AFFC also voiced their objection to the deletion of "public service
25 corporations" from R14-5-201 at the Public Comment hearing on November 2, 2000.

26 At the Public Comment hearing, and in comments filed on October 31, 2000, Staff
27 agreed not to delete any references to "public service corporations" from R14-5-201.

28 **Analysis:** In its October 31, 2000 comments, Staff indicated that its deletion of

1 references to "public service corporations" was inadvertent.

2 The proposed amendments will also update the Rules to incorporate the most recent
3 amendments to the Code of Federal Regulations.

4 **Resolution:** The Rules shall retain all references to "public service corporations" as they
5 currently state. The Rules shall also be amended as included in Appendix B.

6 **R14-5-202**

7 **Issue:** The proposed amendments update the Rules to incorporate the most recent
8 amendments to the Code of Federal Regulations.

9 **Analysis:** The proposed amendments incorporate the 1999 revision of NACE Standard
10 MR0175, to replace the 1980 revision and the 1995 Edition of RP55 to replace the 1981
11 Edition. The proposed amendments also permit the pipeline operator and the property owner
12 a means of resolving building encroachments over a pipeline and establish a time frame for
13 removal of meter set assemblies that have been out of service for a period of 36 months. The
14 proposed amendments also permit the pipeline operator and the property owner a means of
15 resolving encroachments within the required three (3) foot clearance between an electrical
16 source, opening into a building or an air intake into a building, and a gas regulator that might
17 release gas in its operations.

18 No parties opposed the proposed amendments.

19 **Resolution:** Staff's proposed amendments to the Rule should be adopted. The Rules shall
20 also be amended as included in Appendix B.

21 **R14-5-203**

22 **Issue:** The proposed amendments will require written incident reports regarding liquefied
23 natural gas to be in an investigative form defining the incident and the action taken to prevent
24 the incident from reoccurring.

25 **Analysis:** The proposed amendments establish a format for filing required written reports of
26 an incident at liquefied natural gas facilities.

27 SWG also filed comments seeking to add a condition to the requirement of incident
28 reports filed by telephone. SWG seeks to add language that limits telephone reports due to a

1 discontinuance of gas service to a master meter system or when assisting with the isolation of
2 any portion of a gas meter system "due to a failure of a leak test."

3 Staff agreed to the language proposed by SWG.

4 **Resolution:** Staff's proposed amendments should be adopted and SWG's proposed changes
5 should be incorporated as elicited in Appendix B.

6 **R14-5-204**

7 **Issue:** Staff's proposed amendments will update the dates and addresses listed in the Rule.

8 **Analysis:** The proposed amendments are logical and practical. No parties objected to Staff's
9 proposed amendments.

10 **Resolution:** Staff's proposed amendments to the Rule should be adopted. The Rules shall be
11 amended as included in Appendix B.

12 **R14-5-205**

13 **Issue:** Staff's proposed amendments add references to public service corporations and update
14 the rules by changing the dates of the revision of Federal rules.

15 **Analysis:** The proposed amendments are logical and practical. No parties objected to Staff's
16 proposed amendments.

17 **Resolution:** Staff's proposed amendments to the Rule should be adopted. The Rules shall be
18 amended as included in Appendix B.

ATTACHMENT D

STATEMENT OF EFFECT ON SMALL BUSINESS

1. Small Business Subject to the Rules: These rules do not change the responsibilities of master meter operators already established in 1970 by the adoption by the Arizona Corporation Commission (Commission) of the Code of Federal Regulations, Title 49, Parts 191 and 192.
2. Professional Skills and Reporting and Bookkeeping Procedures Required for Compliance: No professional skills are required, the reporting and bookkeeping requirements are less than previously required.
3. Description of Methods Used to Reduce Impact on Small Businesses: The changes are designed to reduce the impact on small businesses. There are no new requirements that would impact the small business community.
4. Feasibility and Legality of Methods in three (3) above: Not applicable.

**ECONOMIC IMPACT STATEMENT
PER A.R.S. SECTION 41-1055**

1. **BRIEF DESCRIPTION:** These amendments will amend already existing rules. (R14-5-201 through R14-5-205) under Chapter 5 entitled "Transportation".

The proposed amendments to the existing rules are designed to update the Arizona Corporation Commission Pipeline Safety rules to recognize the amendments to Title 49, Code of Federal Regulations (CFR) Parts 40, 191, 192, 193, 195 and 199 as of March 1, 2000 (Minimum Safety Standards for Construction, Operation and Maintenance of natural gas, other gases and hazardous liquid pipeline facilities).

2. **NEED:** The Commission has been granted agent status allowing it to enforce the Federal Pipeline Safety Standards. To maintain that status the Commission must, pursuant to the Natural Gas Pipeline Safety Act and the Hazardous Liquid Pipeline Safety Act, adopt and keep current with the Federal Pipeline Safety Standards.

The Commission believes that through the adoption and incorporating by reference of CFR Title 49 updates, the rules will be consistent with the Federal Regulations and will enhance public safety which will be in the best interest of all citizens' in the State of Arizona

3. **AFFECTED CLASSES OF PERSONS:**

- A. Operators of master meter gas distribution systems.
- B. Intrastate operators of natural gas and other gas pipelines.
- C. Intrastate operators of hazardous liquid pipelines.

4. **RULE IMPACT ON AFFECTED CLASSES OF PERSONS:**

- A. The rule will simplify filing requirements on master meter system operators if they are already complying with the Federal Pipeline Safety Regulations. The rule will simplify filing requirements for intrastate pipeline operators.
- B. There will be no impact on operators of natural gas or other gas systems if they are already complying with the Federal Pipeline Safety Standards.
- C. There will be no impact on operators of hazardous liquid pipelines if they are already complying with the Federal Pipeline Safety Standards.

5. **COST AND BENEFITS TO THE AGENCY:** The Commission will have less paper to file from master meter operators and will be able to better maintain safety for the general public. The amendments to the rules will have no effect on other state agencies.

6. **COST AND BENEFITS TO POLITICAL SUBDIVISIONS:** There will be no impact on political subdivisions if they are already complying with the Federal Pipeline Safety Regulations.

7. **COST AND BENEFITS TO PRIVATE PERSONS:** There will be no additional cost to taxpayers, ratepayers or customers. The impact of the rule changes is to provide the taxpayers, ratepayers and customers with improved safety and to assure that all construction, operation and maintenance is accomplished in accordance with the established minimum safety standards.
8. **COST AND BENEFITS TO CONSUMERS OR USERS OF ANY PRODUCT OR SERVICE IN THE IMPLEMENTATION OF THE NEW RULES:** The new rules will have no effect upon consumers or users of the gas service provided by regulated public utilities as they presently are required to be in compliance with all standards, but, this will benefit consumers, users and the general public by maintaining a safe pipeline system.
9. **LESS COSTLY OR INTRUSIVE METHODS:** The proposed rules are the least costly method for obtaining compliance with the long standing minimum safety standards. The rules do not impose additional standards. There is no less intrusive method.
10. **ALTERNATIVE METHODS CONSIDERED:** There are no alternative methods available to achieve the standardization of pipeline construction, training and enhancement of safety.

STATEMENT OF EFFECT ON SMALL BUSINESS

1. Small Business Subject to the Rules: These rules do not change the responsibilities of master meter operators already established in 1970 by the adoption by the Arizona Corporation Commission (Commission) of the Code of Federal Regulations, Title 49, Parts 191 and 192.
2. Professional Skills and Reporting and Bookkeeping Procedures Required for Compliance: No professional skills are required, the reporting and bookkeeping requirements are less than previously required.
3. Description of Methods Used to Reduce Impact on Small Businesses: The changes are designed to reduce the impact on small businesses. There are no new requirements that would impact the small business community.
4. Feasibility and Legality of Methods in three (3) above: Not applicable.

**ECONOMIC IMPACT STATEMENT
PER A.R.S. SECTION 41-1055**

1. **BRIEF DESCRIPTION:** These amendments will amend already existing rules. (R14-5-201 through R14-5-205) under Chapter 5 entitled "Transportation".

The proposed amendments to the existing rules are designed to update the Arizona Corporation Commission Pipeline Safety rules to recognize the amendments to Title 49, Code of Federal Regulations (CFR) Parts 40, 191, 192, 193, 195 and 199 as of March 1, 2000 (Minimum Safety Standards for Construction, Operation and Maintenance of natural gas, other gases and hazardous liquid pipeline facilities).

2. **NEED:** The Commission has been granted agent status allowing it to enforce the Federal Pipeline Safety Standards. To maintain that status the Commission must, pursuant to the Natural Gas Pipeline Safety Act and the Hazardous Liquid Pipeline Safety Act, adopt and keep current with the Federal Pipeline Safety Standards.

The Commission believes that through the adoption and incorporating by reference of CFR Title 49 updates, the rules will be consistent with the Federal Regulations and will enhance public safety which will be in the best interest of all citizens in the State of Arizona

3. **AFFECTED CLASSES OF PERSONS:**

- A. Operators of master meter gas distribution systems.
- B. Intrastate operators of natural gas and other gas pipelines.
- C. Intrastate operators of hazardous liquid pipelines.

4. **RULE IMPACT ON AFFECTED CLASSES OF PERSONS:**

- A. The rule will simplify filing requirements on master meter system operators if they are already complying with the Federal Pipeline Safety Regulations. The rule will simplify filing requirements for intrastate pipeline operators.
- B. There will be no impact on operators of natural gas or other gas systems if they are already complying with the Federal Pipeline Safety Standards.
- C. There will be no impact on operators of hazardous liquid pipelines if they are already complying with the Federal Pipeline Safety Standards.

5. **COST AND BENEFITS TO THE AGENCY:** The Commission will have less paper to file from master meter operators and will be able to better maintain safety for the general public. The amendments to the rules will have no effect on other state agencies.

6. **COST AND BENEFITS TO POLITICAL SUBDIVISIONS:** There will be no impact on political subdivisions if they are already complying with the Federal Pipeline Safety Regulations.

7. **COST AND BENEFITS TO PRIVATE PERSONS:** There will be no additional cost to taxpayers, ratepayers or customers. The impact of the rule changes is to provide the taxpayers, ratepayers and customers with improved safety and to assure that all construction, operation and maintenance is accomplished in accordance with the established minimum safety standards.
8. **COST AND BENEFITS TO CONSUMERS OR USERS OF ANY PRODUCT OR SERVICE IN THE IMPLEMENTATION OF THE NEW RULES:** The new rules will have no effect upon consumers or users of the gas service provided by regulated public utilities as they presently are required to be in compliance with all standards, but, this will benefit consumers, users and the general public by maintaining a safe pipeline system.
9. **LESS COSTLY OR INTRUSIVE METHODS:** The proposed rules are the least costly method for obtaining compliance with the long standing minimum safety standards. The rules do not impose additional standards. There is no less intrusive method.
10. **ALTERNATIVE METHODS CONSIDERED:** There are no alternative methods available to achieve the standardization of pipeline construction, training and enhancement of safety.